

News U Can Use

February 03, 2017

The Week that was...
30th January to 3rd February

Indian Economy

- Government data showed that eight core industries witnessed a growth of 5.6% in Dec 2016 compared with growth of 4.9% in Nov 2016. This can be attributed to upbeat output witnessed by refinery products and steel, which grew 6.4% and 14.9%, respectively. However, crude oil, fertiliser, natural gas, and cement output reported contraction of 0.8%, 0.01%, and 8.7%, respectively.
- Government data showed that fiscal deficit in the period from Apr to Nov of FY17 touched 93.9% of the Budget target against 87.9% for the same period a year ago. Tax revenue came in at Rs. 7.52 lakh crore, or 71.4% of the full-year Budget Estimate (BE) of Rs. 10.54 lakh crore. Total receipts from revenue and non-debt capital of the government during the period stood at Rs. 9.68 lakh crore or 67.1% of the BE.
- Data from a private survey showed that the Nikkei India Services Purchasing Managers' Index (PMI) rose to 48.7 in Jan 2017, from 46.8 in Dec 2016. However, it is in contraction phase as the figure is below 50. Meanwhile, the seasonally adjusted Nikkei India Composite PMI Output Index rose to 49.4 in Jan from 47.6 in Dec.
- The government revised GDP growth for FY16 to 7.9% from 7.6% projected earlier compared with a growth of 7.2% during FY15. The government also revised FY16 nominal GDP growth to 10% as against 10.7% in FY15.

Indian Equity Market

Domestic Equity Market Indices			
Indices	03-Feb-17	1 Week Return	YTD Return
S&P BSE Sensex	28240.52	1.28%	6.19%
Nifty 50	8740.95	1.15%	6.86%
S&P BSE Mid-Cap	13285.41	2.47%	9.51%
S&P BSE Small-Cap	13422.1	2.36%	10.11%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.98	23.29	28.76	70.01
P/B	2.87	3.31	2.36	2.11
Dividend Yield	1.43	1.26	1.15	0.77

Source: BSE, NSE

Value as on February 03, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
30-Jan-17	651	989	0.66
31-Jan-17	396	1245	0.32
01-Feb-17	1177	446	2.64
02-Feb-17	912	735	1.24
03-Feb-17	1000	636	1.57

Source: NSE

- ▣ The domestic equity market gained over the week after the finance minister in Union Budget 2017-18 proposed to focus more on rural and infrastructure sectors along with measures to be taken to reduce poverty and black money.

- ▣ No mention of long-term capital gains tax on equities and elimination of Foreign Investment Promotion Board to further liberalise FDI policy, also supported the market's growth.

- ▣ Some setback was witnessed after the Economic Survey noted that Gross Domestic Product (GDP) growth for FY17 will dip to 7.1% from 7.9% in FY16.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22147.2	-0.24%	7.45%
S&P BSE Bankex	23138	2.53%	12.23%
S&P BSE CD	12918.7	1.10%	9.80%
S&P BSE CG	15096.2	1.75%	8.75%
S&P BSE FMCG	8864.27	3.38%	8.20%
S&P BSE HC	15255	1.84%	2.80%
S&P BSE IT	9698.6	-1.88%	-4.22%
S&P BSE Metal	11889.7	0.71%	14.92%
S&P BSE Oil & Gas	13100.5	-0.02%	5.15%

Source: Reuters *Value as on February 03, 2017*

- On the BSE sectoral front, S&P BSE Realty stood as the major gainer followed by S&P BSE FMCG and S&P BSE Bankex.
- Realty and financial sectors got support after the finance minister announced various policy measures for affordable housing and infrastructure sectors. However, S&P BSE IT stood as the major laggard after the U.S. government introduced a bill in the U.S. Congress that attempts to reform the H1-B visa process.

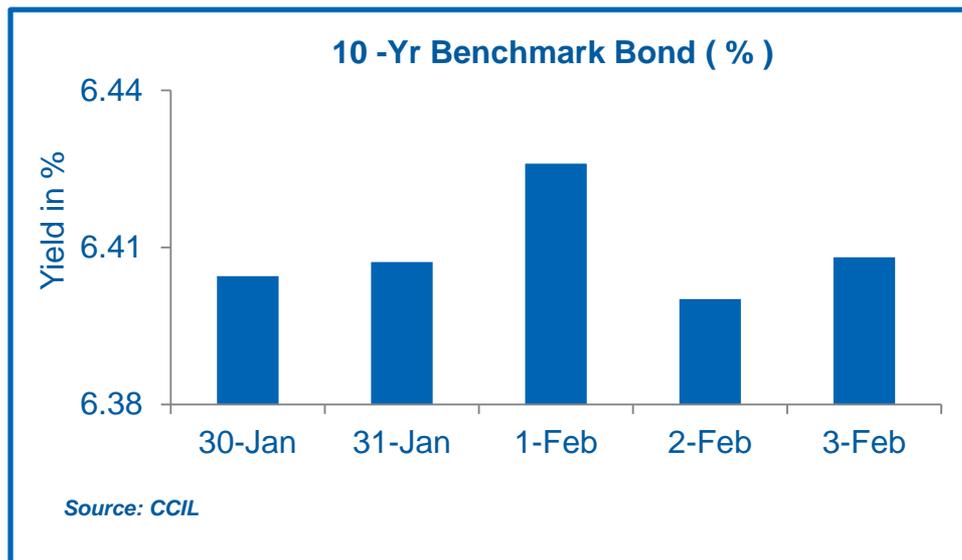
Indian Derivatives Market Review

- Nifty Feb 2017 Futures were at 8,754.35 points, a premium of 13.40 points over the spot closing of 8,740.95. The turnover on NSE's Futures and Options segment stood at Rs. 21.71 lakh crore during the week to Feb 3, compared with Rs. 22.23 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.87, compared with the previous week's close of 0.76.
- The Nifty Put-Call ratio stood at 1.08, compared with the previous week's close of 0.99.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.00	6.02	6.00	6.39
91 Day T-Bill	6.17	6.23	6.10	6.57
7.80% 2021, (5 Yr GOI)	6.43	6.45	6.42	7.08
6.97% 2026, (10 Yr GOI)	6.41	6.40	6.44	--

Source: Reuters Value as on February 03, 2017



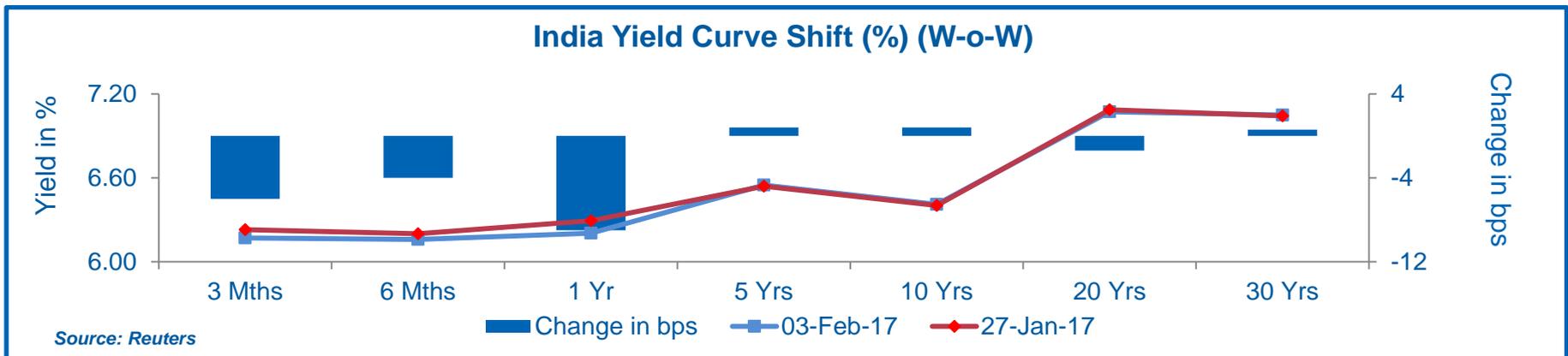
- Bond yields fell initially after the government announced plans to maintain fiscal consolidation in the budget that increased the hopes of a rate cut by the Monetary Policy Committee in upcoming policy decision.
- However, weekly debt sale added to the supply of bonds in the market thereby increasing bond yields. Also, investors awaited monetary policy review due next week.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) increased 1 bps to close at 6.41% from the previous close of 6.40%. During the session, bond yields moved in the region of 6.38% to 6.46%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.29	6.70	41
3 Year	6.39	6.87	48
5 Year	6.63	7.06	43
10 Year	6.66	7.28	62

Source: Reuters Value as on February 03, 2017

- Yields on gilt securities witnessed a mixed trend. It fell the most on 1-year paper by 9 bps and increased the most on 12-year paper by 3 bps. Yield on 9-, 13-, and 15-year papers remained flat.
- Corporate bond yields increased on 3- and 7-year maturities by 2 bps and 1 bps, respectively, and closed flat on 4-, 6-, 7-, and 8-year maturities.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 3 bps to 7 bps, barring 5-year paper.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) proposed measures to boost liquidity in the corporate bond market. The regulator proposed that issuers can have only one International Securities Identification Number (ISIN) per quarter or every two months for consolidation and re-issuance of debt securities. SEBI is of the view that if the above restriction is implemented, a situation of liquidity mismatch and bunching of liabilities for the issuer may arise. To overcome it, SEBI has suggested the issuer to make a choice of having bullet maturity payment as a one-time exercise.
- ❑ According to the minister of state for finance, gross nonperforming assets (NPAs) or bad loans of public sector banks stood at 9.83% of gross advances in FY16 while the same for private sector banks stood at 2.70%. The minister further informed that in the current fiscal till Sep 2016 the gross NPAs grew to 11.82% of gross advances. The minister stated that the sector specific measures have been adopted in infrastructure, power, road, textile, and steel where incidence of NPA is high.
- ❑ The Reserve Bank of India (RBI) approved Non Resident Indians (NRIs) to have access to the exchange traded currency derivatives (ETCD) market so that they can hedge currency risk arising out of their investments in India. However, this is subject to certain conditions under which NRIs will need to designate a bank that will monitor and report their combined positions in the over the counter and ETCD segments.

Regulatory Updates in India (contd..)

- ❑ RBI proposed to enhance disclosure norms for companies who are looking to raise money through commercial papers (CPs). RBI mandated a minimum of six disclosures in the offer document that would include details of any default history on bank loans and other details of outstanding credit facilities with banks. The move will help investors make informed decisions.
- ❑ RBI removed the limits on withdrawals from current accounts even though it kept the overall limit at Rs. 24,000 a week for savings bank account. The apex bank informed that it was doing away with the Rs. 1 lakh per week limit on current accounts even as it suggested that banks can keep their own limits for these accounts.
- ❑ The finance minister announced an outlay of Rs. 10 lakh crore for the agriculture sector. To provide protection to farmers from natural calamities, the crop insurance coverage under the Fasal Bima Yojna was increased from 30% of cropped area to 40% in FY18 and 50% in FY19. A budget provision of Rs. 9,000 crore has been made in this regard. The minister also announced to set up a Micro Irrigation Fund under NABARD with an initial corpus of Rs. 5,000 crore. The corpus for Long term Irrigation Fund under the same has been increased to Rs. 40,000 crore from Rs. 20,000 crore.

Global News/Economy

- ❑ The U.S. Federal Reserve kept interest rates unchanged as it waited for the new President's fiscal stimulus plans. According to the central bank, the U.S. economy and household spending continued to expand at a moderate rate. Also, consumer and business sentiment improved. However, the bank gave no indications about when the next interest rate hike would happen.
- ❑ Data from the U.S. Labour Department showed that non-farm payroll employment grew 227,000 jobs in Jan 2017 after climbing by a revised 157,000 jobs (156,000 jobs originally reported) in Dec 2016. However, the unemployment rate inched up to 4.8% in Jan from 4.7% in Dec. The annual rate of average hourly employee earnings growth slowed to 2.5% in Jan from 2.8% in Dec.
- ❑ The Bank of England kept rates unchanged at 0.25% and corporate bond purchase plan at up to GBP 10 billion. Also, the bank will continue GBP 435 billion bond purchase programme. The central bank has raised its growth forecasts for the U.K. economy for the next two years. It expects gross domestic product to rise 2% in 2017, sharply higher than 1.4% previously expected. The forecast for 2018 has also been raised to 1.6% from 1.5%.
- ❑ Survey data from the National Bureau of Statistics showed that the Chinese manufacturing PMI declined to 51.3 in Jan 2017 from 51.4 in Dec 2016. While, at the same time, the non-manufacturing PMI inched up to 54.6 in Jan from 54.5 a month ago.

Global Equity Markets

Global Indices			
Indices	03-Feb-17	1-Week Return	YTD Return
Dow Jones	20071.46	-0.11%	0.95%
Nasdaq 100	5161.60	-0.13%	5.10%
FTSE 100	7188.30	0.05%	0.15%
DAX Index	11651.49	-1.38%	0.46%
Nikkei Average	18918.20	-2.82%	-3.45%
Straits Times	3041.94	-0.75%	4.93%

Source: Reuters

Europe

- European markets witnessed a lackluster week after the U.S. President imposed harsh immigration policies. Market participants were worried about the U.S. policy on trade and the economy under the new U.S. President.

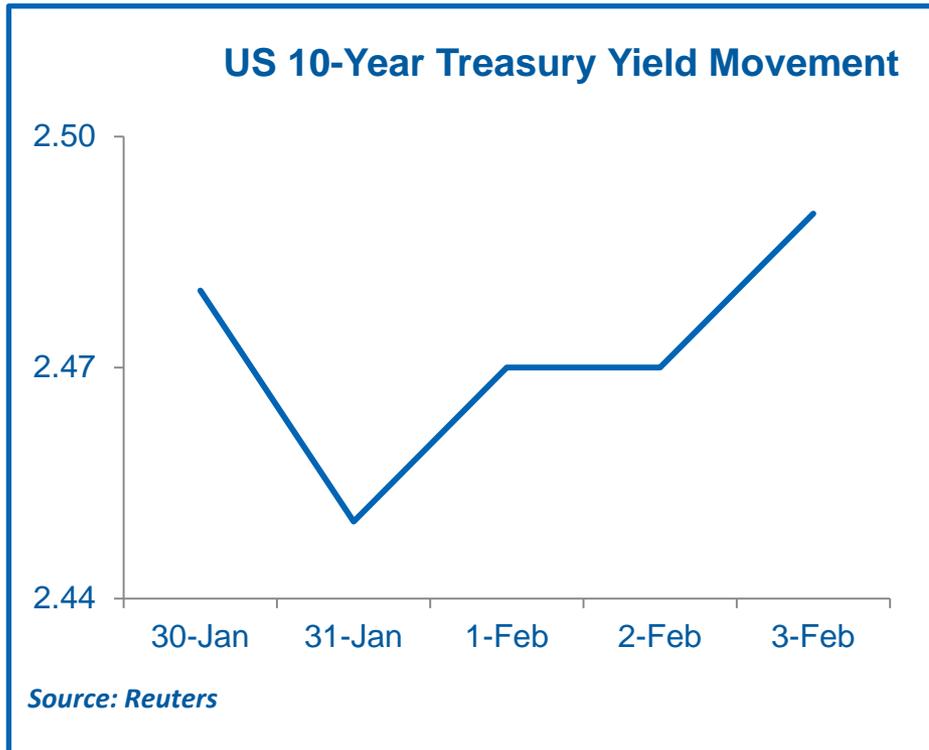
Asia

- Asian markets witnessed thin trading as China, Hong Kong, Malaysia, Singapore, South Korea, and Taiwan markets initially remained closed due to Lunar New Year holidays. Market witnessed pressure after Chinese central bank unexpectedly raised short-term interest rates in open market operations after it resumed trading on Friday.

U.S.

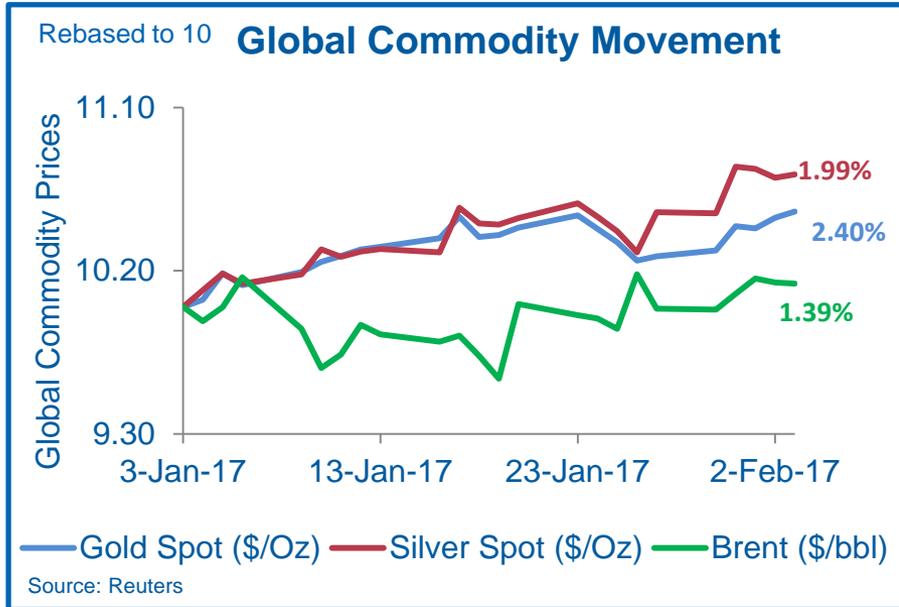
- U.S. markets moved down over the week following U.S. President's new immigration policies. Investors awaited to take cues from FOMC policy meet but it could not provide much support as the accompanying statement was little changed from the previous meeting and status quo was maintained.
- However, some upbeat U.S economic data and strong quarterly earnings of a major tech giant restricted the downside.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield rose 1 bps to close at 2.49%, compared with the previous week's close of 2.48%.
- U.S. Treasury prices increased initially as its safe haven appeal improved on concern that new President may adopt protectionist policies.
- However, trend reserved later in the week after the U.S. Federal Reserve looked more dovish than expected after it said job gains remained solid, inflation had increased and economic confidence was rising, but gave no firm signal on the timing of its next rate move.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	55.61	54.85
Gold (\$/Oz)	1219.8	1191.21
Gold (Rs/10 gm)	28977	28696
Silver (\$/Oz)	17.46	17.12
Silver (Rs/Kg)	41550	40543

Source: Reuters Value as on February 03, 2017

Gold

- Gold prices climbed after U.S. President's stringent immigration policies made investors cautious and triggered the metal's safe haven appeal. Prices were also supported by weaker U.S. dollar following the U.S. Federal Reserve's announcement of keeping interest rates unchanged at its first meet since the new President took over.

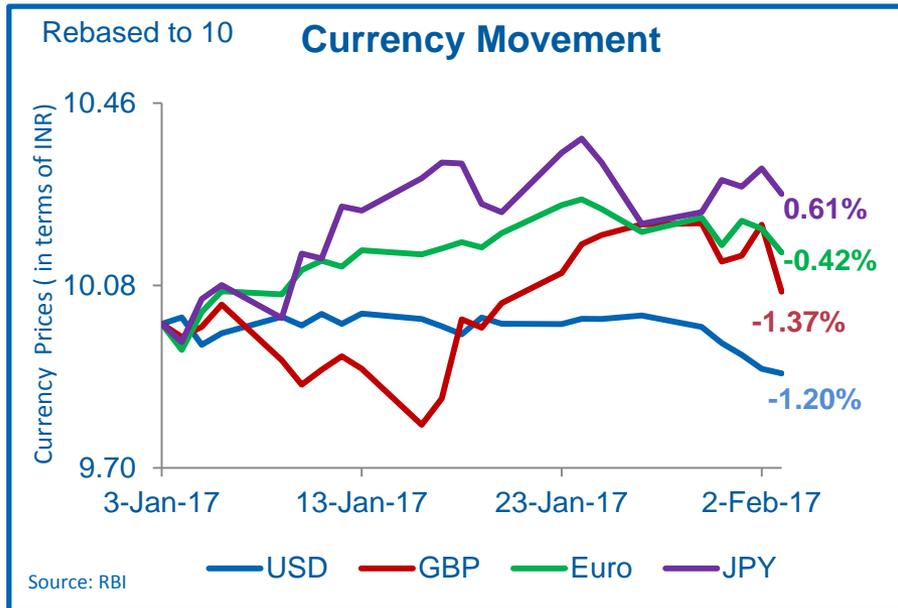
Crude

- Brent crude prices gained after supply cut pledges were made by significant crude-producing countries. Prices grew despite growing U.S. drilling activity, which according to industry data had climbed to the highest since Nov 2015.

Baltic Dry Index

- The Baltic Dry Index decreased during the week owing to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.38	68.20
Pound Sterling	84.32	85.49
EURO	72.44	72.75
JPY(per 100 Yen)	59.60	59.24

Source: RBI Figures in INR , Value as on February 03, 2017

Rupee

- The rupee rose against the greenback following gains in the domestic equity market. Lack of clarity about the timing of future rate hikes by the U.S. Federal Reserve also kept the greenback under pressure

Euro

- The euro rose against the greenback on concerns that the new U.S. President may take measures to weaken the dollar.

Pound

- The pound rose initially against the greenback amid volatility following upbeat U.K. manufacturing Purchasing Managers' Index data for Dec 2016. However, the trend reversed after the Bank of England kept interest rates unchanged.

Yen

- The yen rose against the greenback as its safe haven appeal improved on concerns that the new U.S. President may adopt protectionist policies and take measures to weaken the dollar.

The Week that was...
January 30 to February 03

The Week that was (Jan 30 – Feb 03)

Date	Events	Present Value	Previous Value
Monday, January 30, 2017	Germany Consumer Price Index (YoY) (JAN P)	1.90%	1.70%
	U.S. Personal Consumption Expenditure Core (YoY) (DEC)	1.70%	1.70%
Tuesday, January 31, 2017	Germany Unemployment Rate (JAN)	5.90%	6.00%
	Eurozone Gross Domestic Product (YoY) (4Q A)	1.80%	1.80%
	Eurozone Consumer Price Index Estimate (YoY) (JAN)	1.80%	1.10%
	U.S. Consumer Confidence (JAN)	111.8	113.3
	Japan Housing Starts (YoY) (DEC)	3.90%	6.70%
	Eurozone Unemployment Rate (DEC)	9.60%	9.70%
Wednesday, February 01, 2017	China Manufacturing PMI (JAN)	51.3	51.4
	U.S. ISM Manufacturing (JAN)	56	54.5
Thursday, February 02, 2017	Japan Consumer Confidence Index (JAN)	43.2	43.1
	U.K. Markit/CIPS Construction PMI (JAN)	52.2	54.2
	U.S. Initial Jobless Claims (JAN 28)	246K	260K
Friday, February 03, 2017	U.S. Change in Non-farm Payrolls (JAN)	227K	157K
	U.S. Unemployment Rate (JAN)	4.8%	4.7%
	U.S. ISM Non-Manufacturing Composite (JAN)	56.5	57.2

The Week Ahead...
February 06 to February 10

The Week Ahead

Day	Event
Monday, February 06, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Markit Construction PMI (JAN) <input type="checkbox"/> Germany Markit Retail PMI (JAN) <input type="checkbox"/> Euro-Zone Sentix Investor Confidence (FEB)
Tuesday, February 07, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Composite PMI (JAN) <input type="checkbox"/> Japan Leading Index (DEC P) <input type="checkbox"/> Germany Industrial Production (YoY) (DEC) <input type="checkbox"/> U.S. Trade Balance (DEC)
Wednesday, February 08, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Foreign Direct Investment (YoY) (JAN) <input type="checkbox"/> Japan Housing Loans (YoY) (4Q)
Thursday, February 09, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Wholesale Inventories (DEC F) <input type="checkbox"/> U.S. Initial Jobless Claims (FEB 04)
Friday, February 10, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (JAN) <input type="checkbox"/> U.K. Total Trade Balance (Pounds) (DEC) <input type="checkbox"/> U.K. Industrial Production (YoY) (DEC)

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